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STATE FOR WHA/BSC  
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SOUTHCOM FOR POLAD  
NAIROBI FOR MICHAEL FITZPATRICK

E.O. 12958: DECL: 04/20/2016  
TAGS: [PREL](#) [PGOV](#) [ENRG](#) [ECON](#) [PA](#)  
SUBJECT: PARAGUAY HOSTS ENERGY MINI-SUMMIT WITH BOLIVIA,  
URUGUAY, AND VENEZUELA

Classified By: PolCoun James P. Merz. Reason 1.4(b),(d).

11. (C) Summary. On 4/19, Paraguay hosted a mini-summit with the Presidents of Bolivia, Uruguay and Venezuela at which it signed two integration accords promoting greater energy cooperation, including establishment of a binational gas pipeline between Bolivia and Paraguay and the dredging of the Parana River system to facilitate expanded shipping and development in the region. The President of Paraguay's state-owned petroleum company PETROPAR signed a letter of intent with his Venezuelan counterpart to form a company to refit a Paraguayan refinery to receive Venezuelan diesel fuel. Most press focused on the substance of the accords and its potential impact on Mercosur with lesser attention on Chavez's ostensible efforts to steal the show with lengthy remarks to the press and a Bolivarian event with Cuban FM Perez Roque at Paraguay's largest university. In a 4/20 meeting with the Ambassador, FM Rachid confided that Paraguay shared our concern about Chavez' continued meddling in the region and said that Paraguay planned to remove its Ambassador from Venezuela to signal its displeasure. She said that she had refused to meet with Cuba's FM whose arrival on Chavez' plane had come as a surprise. She also told us in confidence that Uruguay President Tabare Vasquez had confided to her that Uruguay planned to pull out of Mercosur if it did not provide him appropriate support in overcoming a dispute with Argentina over construction of a paper plant. End Summary.

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Paraguay Signs Two Integration Accords  
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12. (U) On April 19, Evo Morales and President Duarte signed a bilateral energy cooperation accord focused on short-term progress toward great industrialization of natural gas resources, specifically with a binational gas pipeline. The short agreement commits both governments to seek assistance from multilateral organizations within 120 days for possible financing for a feasibility study. Both also commit to establishing a technical bilateral working group.

13. (U) The Presidents of Uruguay, Bolivia and Paraguay signed a trilateral memorandum of understanding to foster greater "energy and physical integration" among the three countries. The MOU commits the three countries to negotiate,

before the end of the year, a formal energy integration accord. According to press reports, the MOU includes a reference to achieving such integration within a framework of "recovery of natural resources by the State." Uruguayan President Tabare Vazquez told the press that Andean Development Corporation (CAF) had offered financing for initial studies. President Duarte conveyed Paraguayan openness to exploration and exploitation of Paraguay's hydrocarbon prospects. According to Venezuela's Ambassador to Paraguay, the GOP offered a more direct invitation to the GOV through its Embassy in Venezuela.

¶4. (U) Venezuelan President Hugo Chavez also attended the mini-summit and said that prior discussions with Brazil and Argentina about a gas pipeline from Venezuela were not intended to exclude Paraguay and Uruguay. He also offered Venezuelan state bank Banesca as a source of financing.

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Refitting of Refinery to Smooth Imports of Venezuelan Fuel  
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¶5. U) The president of state-owned petroleum company PETROPAR and his Venezuelan counterpart signed a letter of intent on April 19 to form a company that will refit PETROPAR's Villa Elisa refinery, ostensibly to refine shipments of heavy crude oil expected from Venezuela. President Chavez announced during his visit to Asuncion on April 19 that the first shipment of 16,000 cubic meters of Venezuelan diesel fuel would arrive in Paraguay on April 24. Local media sources noted that the creation of an enterprise to refit the Villa Elisa facility would require legislative approval in both countries.

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New Interest in Hidrovia Project  
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¶6. (U). As part of their meetings in Asuncion on April 19, Presidents Duarte Frutos of Paraguay, Morales of Bolivia, and Vazquez of Uruguay agree to move ahead with "a major integration that allows us to enjoy the mutual benefits of the Hidrovia Paraguay-Parana Navigation Project." The project, which proposes to dredge a deeper channel along the 3,400 kilometer Parana River system, is designed to expand shipping and promote economic development in the region. However, the Hidrovia project has come under increasing scrutiny from environmental NGOs for its potential impact on the Pantanal and Chaco wetlands located on the borders of Bolivia, Brazil and Paraguay.

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Initial Press Play Stylishly Superficial  
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¶7. (U) All three national dailies focused business-oriented headlines and coverage on the energy integration memorandum and proposed gas pipeline to stretch through Paraguay from Bolivia to the Uruguayan coast. Pictures of the leaders, including the dressed-down Evo Morales (zippered jacket trimmed with a colorful indigenous cloth collar and waistband) filled inside pages. "I'm over here at your left," joked Morales when lining up for a group photo alongside the Paraguayan president Nicanor Duarte Frutos. "Well, I'm comfortable here in the center," responded Duarte, with Tabare Vazquez smiling on his right.

¶8. (U) Side-bar articles noted potential impact on the Mercosur trading bloc, news of a joint project linking the Paraguayans and Venezuelan oil companies, and the potential location of the pipeline on the land recently expropriated by the Government of Paraguay. Only the left-leaning "Ultima Hora" reported at any length on a Hugo Chavez Bolivarian rally at Asuncion's National University. Chavez and Cuban Foreign Minister Felipe Perez Roque used this populist-flavored rally to blast the U.S. and its capitalist policies and the FTAA. According to Open Source reporting, the rally was carried live on Telesur and Caracas television

but was virtually invisible in the Asuncion news.

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FM Rachid on Chavez, Cuba, and Possible Uruguayan "Bombshell"  
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19. (C) In a 4/20 meeting with the Ambassador, FM Rachid conveyed her views on a number of sensitive issues.

-- She shared our concerns about Venezuela's meddling in the region including its apparent ties to Paraguay's radical leftist party, Patria Libre, which has been involved in sporadic violence in Paraguay's countryside.

-- She advised that Paraguay planned to remove its Ambassador shortly from Venezuela with no immediate plans for her replacement as a signal of its displeasure. She did not anticipate Venezuela would pull its Ambassador in Paraguay.

-- She conveyed that she had been surprised and angered by the arrival of Cuban FM Perez Roque on Chavez' plane and that she had pointedly refused his overtures to meet with her.

-- Lastly, Rachid told the Ambassador that Uruguay's President Vasquez had confided to her that he planned to pull Uruguay out of MERCOSUR if it did not meet to address Uruguay's displeasure with Argentina for its failure to address protests against plans to create a paper factory on its border with Argentina. Comment. Paraguay shares Uruguay's frustration with MERCOSUR for failing to deliver on benefits in terms of trade growth and aid. However, we remain doubtful about Paraguay's pulling out given any time soon given its heavy reliance upon Brazil and Argentina. End Comment.

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